

iC No. 1 Capitol District Building 250 South Hotel Street, Suite 508 P.O. Box 2359 Honolulu, Hawaii 96804 Phone: (808) 538-3830

MINUTES OF THE LUNCHEON MEETING OF THE BOARD OF DIRECTORS Monday, 25 April 2016

#1 Capitol District Building, 250 South Hotel Street, Room 436, Honolulu, HI 96813

MINUTES

PRESENT

H. Brian Moore, Chair Keiki-Pua Dancil, Vice Chair Jon Wallenstrom Fred Hemmings Mark Tsuda James Moonier Michael O'Malley Craig Nakanishi Luis Salaveria

EXCUSED

Ann Chung

STAFF

Karl Fooks, President Sara Lin, Associate Gregg Kinkley, DAG Dawn Apuna, DAG

GUESTS

- CALL TO ORDER: Meeting called to order by the Chair at 12:05 PM.
- Chair Moore welcomed new board member, Mark Tsuda. Member Tsuda provided a brief summary of his background.
- Chair Moore thanked DAG Gregg Kinkley for his many years of service and introduced Dawn Apuna, HSDC's new DAG.
- 1 February 2016 MEETING MINUTES: All Minutes were approved.
- President Performance Evaluation:
 - Chair Moore reported that the Investigative Subcommittee submitted the President's 2015
 Performance Evaluation at the last board meeting.
 - DECISIONS: The Board approved the 2015 Performance Evaluation and the recommended salary increase effective for this fiscal year for the President.

GVS Transmedia Accelerator:

- David Cunningham and Nicole Nietz reported on the progress of the accelerator to date and some changes to the upcoming accelerator program for 2016. The activities of the accelerator are supported by HSDC, the County of Hawaii and by private investors.
- The accelerator was able to build out a small studio that includes a green screen production area, sound studio, co-working space and office space for media related startups to colocate. In response to Member O'Malley's question, David said that \$50,000 is invested in each company in exchange for a 10% stake. Member Moonier asked how many of the companies are from Hawaii and David replied all except for one company.
- After completing two years of activities, 12 cohort companies have gone through the accelerator program with 200 applicants over two cycles. These cohort companies have generated 17 jobs and employed 49 contractors, in addition to the 5 jobs and 10 part time jobs at the accelerator itself. Additional private investment of \$150,000 has been generated.

- The facility hosts more than 25 tours or visits each month from schools, community organizations and private individuals.
- David provided an overview of the fund investors, the Fund Board and the roster of Hollywood industry executives that are active mentors for the accelerator.
- An overview of the portfolio companies highlighted 4 companies that are starting to gain traction: A Bear Grylls feature film project; Surf Break Hotel, a Maui based comedy series has shot its pilot episode; Mock Stars/Fluid, a studio/agency to support content developed by YouTube stars; and Ring of Fire, an IMAX/4D project on the Big Island volcano.
- Chair Moore asked about the criteria to access the Follow-on Fund and David replied that the criteria are a minimum of \$250 thousand of private capital needs to be raised, a distribution deal needs to be in place and all the necessary financing for production must be in place. No company has drawn capital from the Follow-on Fund as yet.
- David provided an update on the GVS Connect broadband pilot. Two locations, Kona and Honolulu were wired. An industry launch event was held in LA at the Warner Brothers Studio to market this connectivity to Hollywood professionals. The network provider, Sohonet and GVS took a few months to establish the connectivity and a working business model. A documentary project is currently using the video transfer capability, the sound studio in Kona has been attracting clients to do remote recording, and the accelerator has been using the connectivity.
- A small media ecosystem has begun to develop around the accelerator in Kona with a TV station and a Hollywood caliber stunt school moving into the same building complex.
- The new strategy for the 2016 cohort will be to provide additional support for the 5-6 projects that are beginning gain traction rather than bring on 6 new projects. There will be room for 1-2 new projects if strong applicants emerge. Member Moonier asked if a vote was needed for this change in focus and the President replied that this was still consistent with the mission of the accelerator.

Legislative Agenda:

- Chair Moore asked Member Salaveria to provide an overview of the Legislative session so far. Bills to fund the HI Growth program have died. \$5 million in the budget for HI Growth is still in the budget under consideration. However, the approach of providing long-term support, rather than a one year budget mechanism, for the innovation sector has begun to gain broader understanding at the Legislature. Member Salaveria, Robbie Melton and the President are working with the Governor's team to develop an innovation plan for the next budget cycle.
- o The President reported that most of the bills related to board activities have all died.

Board Member Appointments

- O HSDC was able to get new board members appointed and existing members reappointed this session. Unfortunately, Mike O'Malley was not submitted for reappointment and will be terming out in June 2016. With his departure, a new HSDC representative to the NELHA board will have to be appointed. Jim Moonier has been too busy to attend HTDC board meetings and a new representative should be appointed.
- ACTIONS: The board approved board member, Craig Nakanishi, to be the HSDC representative on the HTDC Board.

Connect and Network Program for UHERO:

 The President reviewed a previous proposal from UHERO for HSDC to participate in a private sector effort to provide financial support for a faculty position at UHERO to focus on innovation and economic development issues.

- Chair Moore reminded the board that concern over one state agency providing financial support for another state agency was previously raised by the Deputy Director of Budget and Finance.
- The recent UHERO report on the HI Growth Initiative highlighted the value of having third party research coverage of economic development efforts in the innovation sector.
- Member Moonier cautioned that the assumptions used to forecast the financial support generated by the proposed endowment may be optimistic.

Portfolio Report:

- The President presented the quarterly cash position report and the December portfolio report.
- o HSDC received an \$113,000 distribution from the International Venture Fund.

Fund Manager Report:

- UPSIDE Fund was not able to attend this board meeting
- Mbloom Fund
- The Board voted to go into executive session due to proprietary information on a portfolio company transaction at 1:13 PM
- The Board voted to exit executive session at 1:20 PM.

HTDC Report:

 The President reported that HTDC is seeking Legislative funding for their Entrepreneurs Sandbox, the manufacturing grant program and the SBIR grant program.

NELHA:

 Member O'Malley reported that NELHA has been busy with various building and construction projects.

Request for Subcommittee Meetings:

- The President said there maybe a request at the next board meeting for an Accounting Investigative Subcommittee to review HSDC Capital Fund LLC 2015 financial statements.
- MEETING ADJOURNED: Meeting adjourned at 1:25 PM.

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